

KENTUCKY HIGH SCHOOL
ATHLETIC ASSOCIATION

Management Correspondence

June 30, 2004

INDEX

	Page
Communications with the Board of Control	1
Analytical Charts	Appendix A

MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS
"INNOVATORS OF SOLUTION TECHNOLOGY"SM

August 12, 2004

Brigid DeVries, Commissioner and Board of Control Members
Kentucky High School Athletic Association

We have audited the financial statements of the Kentucky High School Athletic Association ("Association") for the year ended June 30, 2004, and have issued our report dated August 12, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the Association. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Association are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal 2004. We noted no transactions entered into by the Association during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are depreciation of property and equipment and the liability for compensated absences.

Management's estimate of depreciation is based on the projected useful life of the asset. The estimate for compensated absences is based on current pay rates and the assumption that all employees will be compensated. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Association's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Association, either individually or in the aggregate, indicate matters that could have a significant effect on the Association's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Auditors

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Control and management of Kentucky High School Athletic Association, and should not be used for any other purpose.

Very truly yours,

Miller, Mayer, Sullivan, & Stevens, LLP

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky

MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS
"INNOVATORS OF SOLUTION TECHNOLOGY"™

August 12, 2004

Brigid DeVries, Commissioner and Board of Control Members
Kentucky High School Athletic Association

In planning and performing our audit of the financial statements of Kentucky High School Association for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted a certain matter involving internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Association's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

Accounting and Control of Property, Plant & Equipment

The Association does not currently have a fully functioning comprehensive method of identifying property and equipment it owns. We recommend that management finalize implementation of a comprehensive system to identify, process and report its fixed assets, so that management controls, such as periodic inventories and adequate records for insurance coverage can be developed. Management has not completed implementation of this requirement, which was reported in the prior year's audit. We suggest that this be accomplished through utilizing existing software and historical information to capture the data for reporting the detail property and equipment capitalized on the financial statements of the Association.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, the reportable condition described above is not believed to be a material weakness.

Additional observations made during our audit pertaining to the accounting and financial reporting system and related internal controls are as follows:

1. Cash Account Designated for Sick Leave Benefits is Underfunded

The cash account currently designated to disburse funds obligated to employees that leave employment of the Association has a balance of \$41,790 as of June 30, 2004. The accrued liability to these employees is \$82,387, which leaves the designated cash account underfunded by \$40,597.

2. **Cash Restricted for Hall of Fame Museum is Overfunded**

The cash account currently restricted for disbursement of funds in the development of the Association's Hall of Fame museum has a balance of \$23,101 as of June 30, 2004. The balance of \$15,676 designated net assets for museum development leaves the cash account overfunded by \$7,425.

3. **Cash Account Restricted for Debt Service is Overfunded**

The debt service reserve of the Association has a balance of \$245,543 as of June 30, 2004. The balance of \$224,000 restricted for the debt service reserve leaves the cash account overfunded by \$21,543.

This information is intended solely for the use of the Board of Control and management of Kentucky High School Athletic Association, and should not be used for any other purpose.

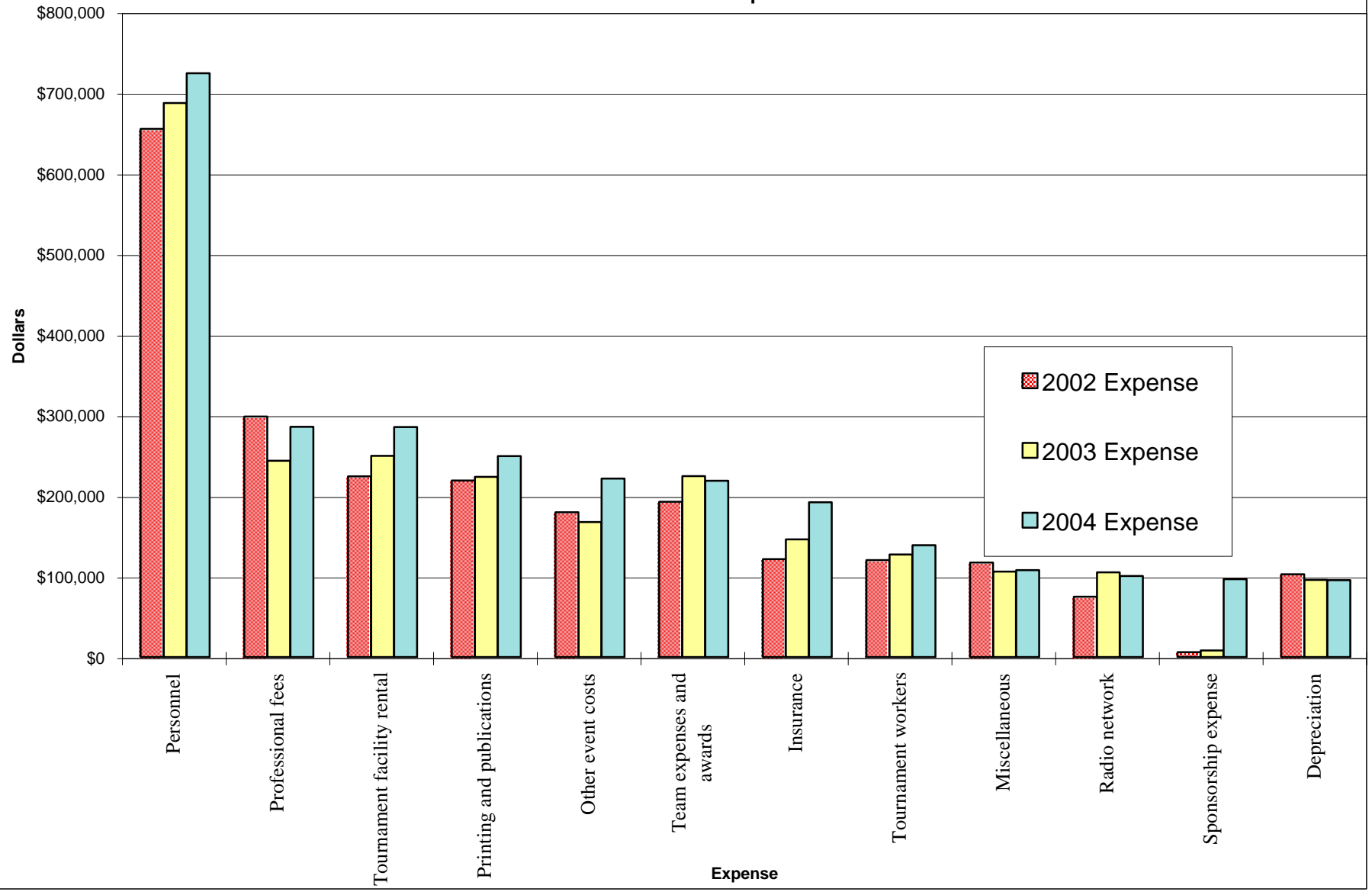
Very truly yours,

Miller, Mayer, Sullivan, & Stevens, LLP

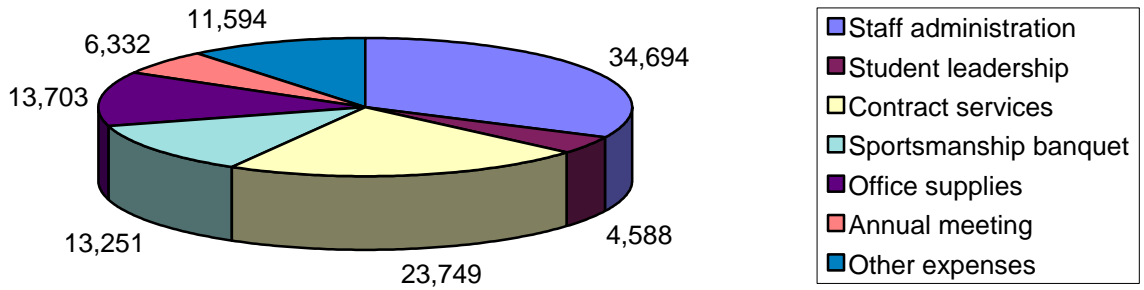
Miller, Mayer, Sullivan, & Stevens, LLP
Lexington, Kentucky

ANALYTICAL CHARTS

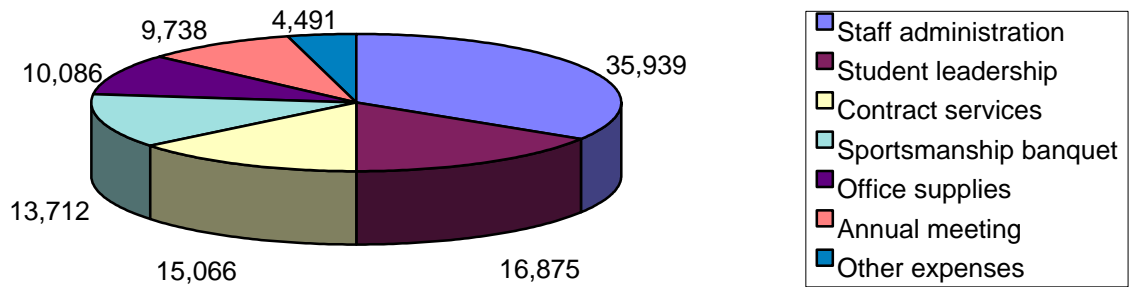
KHSAA Functional Expenses



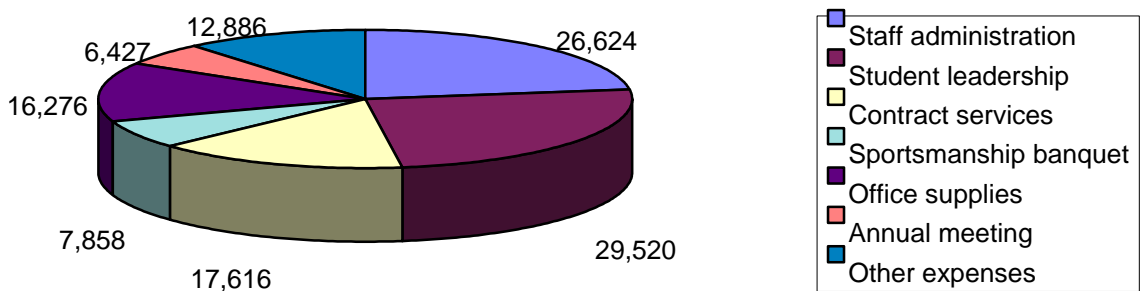
2004 Miscellaneous Functional Expense Detail



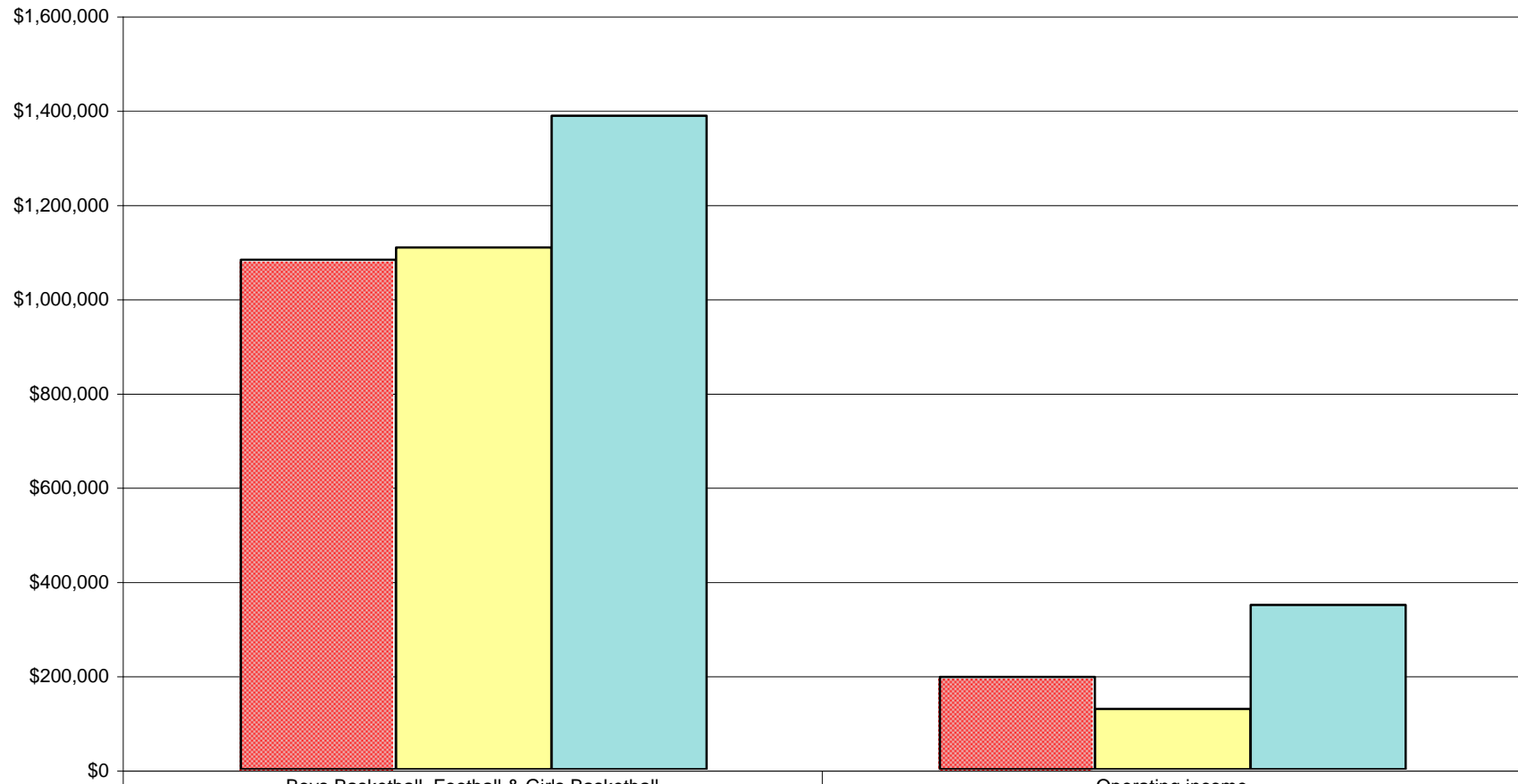
2003 Miscellaneous Functional Expense Detail



2002 Miscellaneous Functional Expense Detail

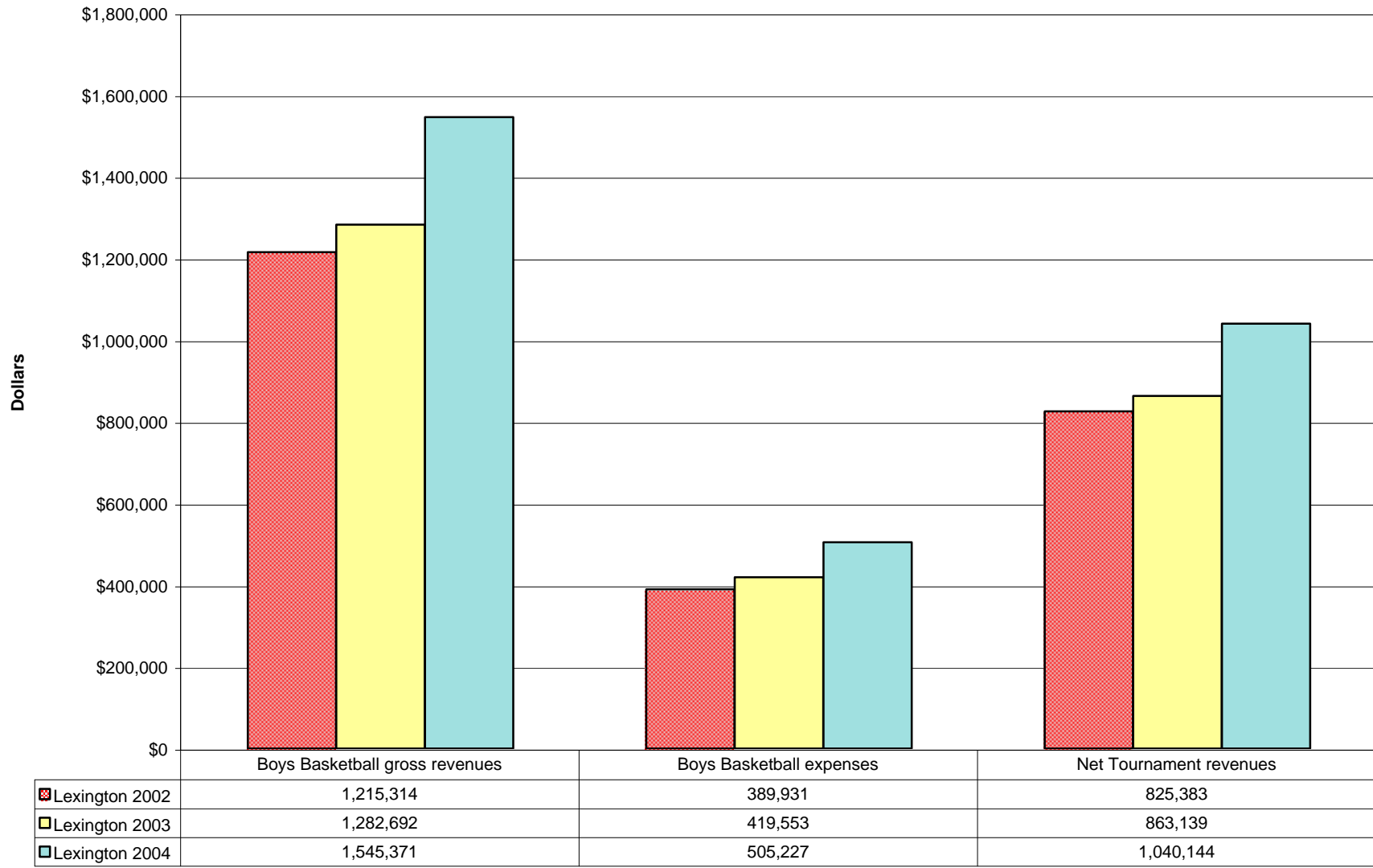


KHSAA Three Major Tournament Net Revenues Related to Operating Income



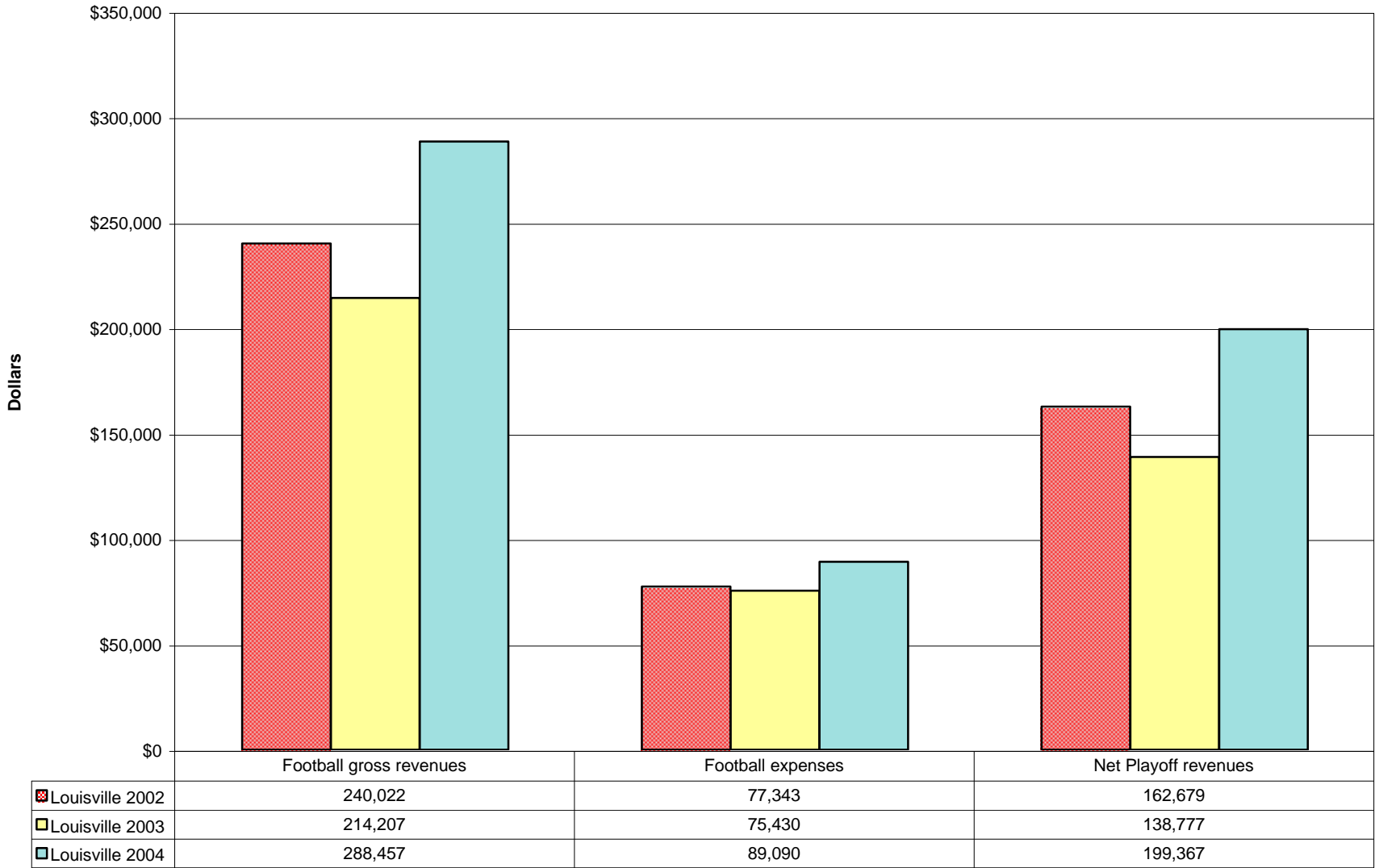
	Boys Basketball, Football & Girls Basketball	Operating income
2002	1,080,879	195,669
2003	1,107,298	127,964
2004	1,386,798	348,575

KHSAA Boys Basketball Tournament



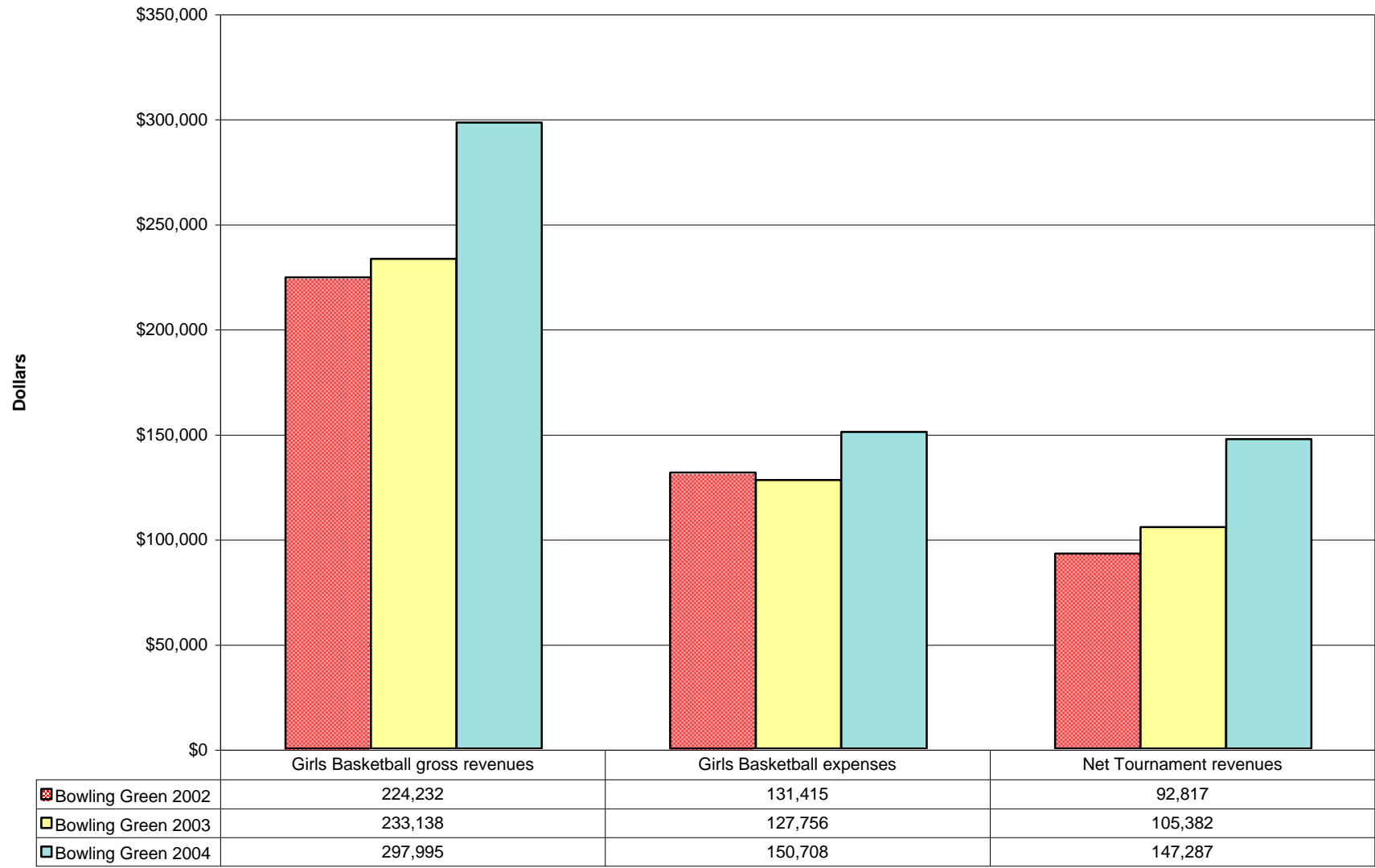
Categories

KHSAA Football Playoffs

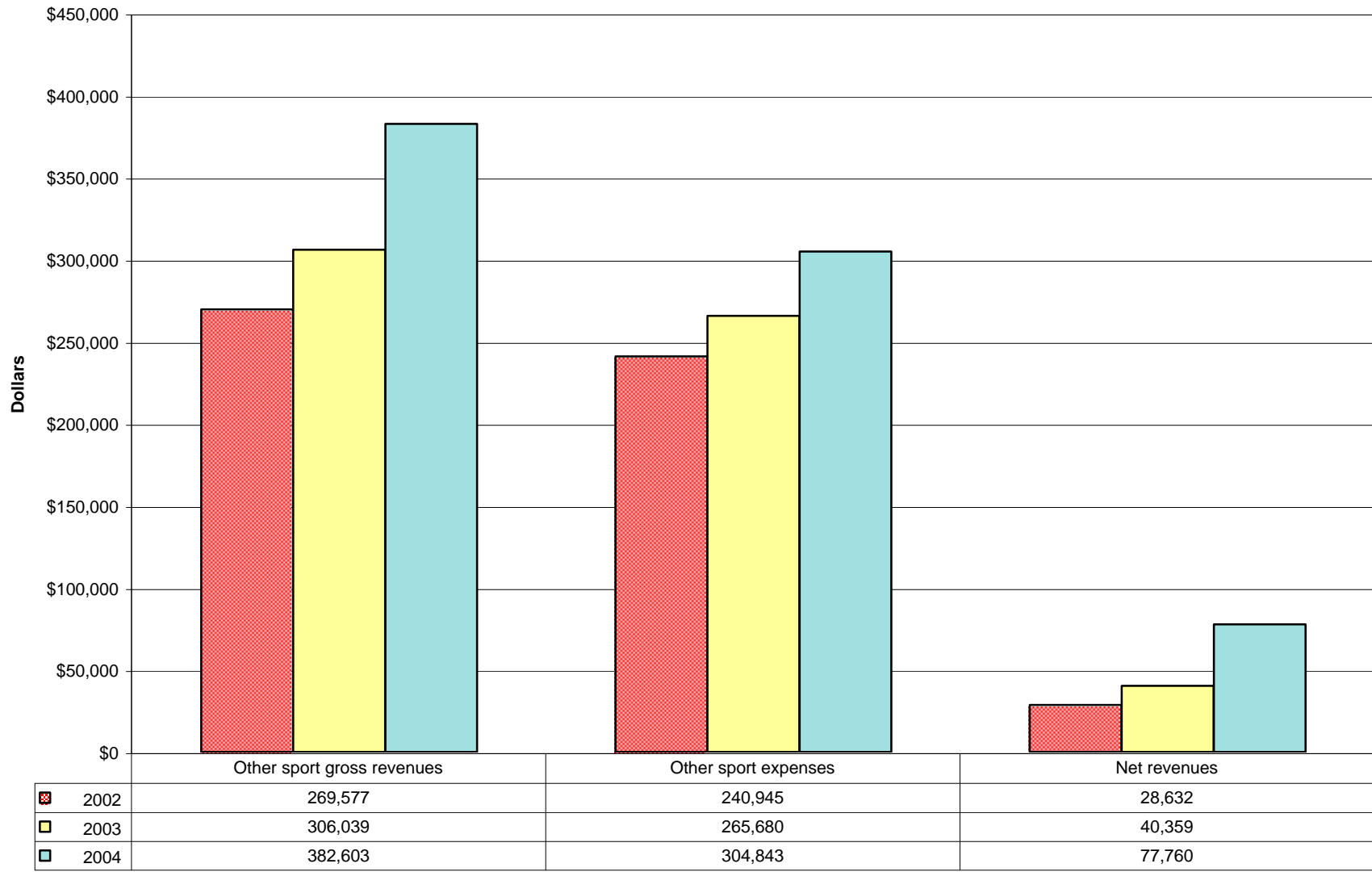


Categories

KHSAA Girls Basketball Tournament



All other Playoffs and Tournaments



Categories